

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 9/25/06		Item Number: <u>A-4</u>	
AGENDA ITEM: Update Related to the City's Comprehensive Financial Plan.			
Contact Person/Dept.: Marlee Chang, Budget & Finance		Phone Number: (310) 253-6011	
Fiscal Impact: Yes ☐ No ☒		General Fund: Yes ☐ No ☐	
Public Hearing: ☐		Action Item: ☒	Attachments: ☒
Public Notification: Master Notification List (9/20/06)			
Department Approval: Marlee Chang, 9/20/06		City Manager Approval: Jerry B. Fulwood (09/20/2006)	
City Controller Approval: Marlee Chang, 9/20/06			

RECOMMENDATION:

Staff recommends the City Council receive an update related to the City's Comprehensive Financial Plan.

BACKGROUND:

Purpose of the Plan

Developing a Comprehensive Financial Plan was identified by the City Council as one of the top priorities in fiscal year 2006-07. The Plan is intended to be a financial management tool to be used for financial and budgetary decisions. The first phase provides a city-wide five-year perspective on the City's financial condition based on historical trends and a broad range of financial information. Particularly, the plan addresses short-term and long-term financial issues facing the City and provides options for decision-making and policy direction. The final phase of the plan will include long-term (fifteen-year) projections.

Developing the Plan

The City Controller's office, under the City Manager's direction, has worked with the City Council Budget and Finance Subcommittee and Executive Management to develop this Plan. Since the beginning of the fiscal year, staff has been meeting frequently with the City Council Budget and Finance Subcommittee as well as three related subcommittees made up of various Executive Management staff and the City Council Budget and Finance Subcommittee members. These subcommittees are the Comprehensive Financial Plan Committee, Cost Reduction Committee, and Revenue Enhancement and Management Committee.

In order to prepare such a long range financial plan, the City Controller's requested information from each department to identify the resources needed to: 1) continue

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to provide the existing level of service, 2) provide an adequate level of service, and 3) provide an optimal level of service to the community. This information is being gathered, quantified, and summarized in an excel spreadsheet. The fiscal impact of each resource need was projected over the five year period covered by the Plan.

The Controller's office then met with each individual Department Head to review and further refine the specific information about their current and future needs. This information is incorporated into the financial plan and categorized into the following operational scenarios and funding needs.

Level I Funding Needs:

- Funding that was identified by Departments to be necessary in order to maintain the current level of service to the City's residents and customers. Due to budget constraints, the last two budget cycles did not include an increase for operations and maintenance to account for inflation. Consequently, the departmental budgets were, in effect, decreased.

Level II Funding Needs:

- Funding that is anticipated or expected to be needed in the coming years to restore departmental budgets and address some cost reductions and service level decreases that had been approved in prior years.

Infrastructure Funding Needs:

A. Deferred Maintenance:

- Set-aside necessary funding in order to maintain facilities and infrastructure in the future.

B. Capital Projects:

- Funding needed for new infrastructure construction projects.

C. Unfunded State Mandate:

- It is anticipated that State mandated costs for Stormwater Cleanup (NPDES/TMDL) will be significant, possibly ranging in the tens-of-millions of dollars.

Future Unfunded Liability Funding Needs:

- Set-aside necessary funding in order to off-set the future liability increases (e.g. Self-insurance Fund, Worker's Compensation, Retiree medical insurance, Pension costs).

Level III Funding Needs:

- Funding that will enhance the City's delivery of service and/or programs to the community and its own in-house customers.

Concurrently, Budget & Finance staff researched the availability and cost for computer programs/software to assist in the development of the Comprehensive

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Financial Plan. Staff visited various websites to review the capabilities of a number of programs, downloaded and tested the trial versions of a few excel based programs, and contacted several firms to obtain more detailed information on their software packages. However, most of the software that looks flexible and useful requires a significant time and financial investment to meet our needs.

Staff discussed alternate options with the IT Director. It was concluded that the most feasible approach is to work with current IT staff with expertise in Microsoft Excel to assist in preparing a comprehensive excel based program to customize and enhance data compiling and updating features for the preparation of the plan. This Excel program will enable staff to enter various assumptions in order to display different financial scenarios.

Updated Financial Policy

Another component of the Financial Plan is to update the existing financial policy. A draft amendment of the Financial Policy was prepared for discussion and consideration by the Subcommittee. An updated Financial Policy will reinforce fiscal discipline and provide a financial guideline for the City Council. This will be presented to City Council for consideration as Part Two if the City Council update.

Financial Options

There are revenue enhancement and cost reduction options which are currently being reviewed and discussed by the appropriate staff subcommittees. The recommendations with associated financial impacts are being reviewed by the City Council Subcommittee and will be presented to the City Council for consideration in phase two of the plan.

Fees and Charges Study

One part of the revenue enhancing strategy that the City Council has already begun to address is a full study of the City's fees and charges. The Council is being asked to award a contract to a professional services firm to conduct a comprehensive city-wide fee study. That item is being presented tonight as a separate agenda item. Pending approval, this study is anticipated to begin in October and conclude in January 2007.

Summary

On September 14, 2006, a draft report of the Comprehensive Financial Strategy for the General Fund was shared and discussed with the City Council Budget and Finance Subcommittee and Department Heads. The draft "Comprehensive Financial Strategy for the General Fund" will be provided to City Council within the next two to three weeks. The final plan will include all City funds and fiscal impacts between each fund.

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Staff will continue to work with the City Council Budget and Finance Subcommittee and the three Executive Management subcommittees to define options and develop a timeline for each stage of this process. With the City Council Budget and Finance Subcommittee's support and concurrence, staff plans to complete and present the final phase of the report to the City Council by the end of January 2007.

MOTION:

Receive an update related to the City's Comprehensive Financial Plan.